DEPARTMENT OF ENERGY
FY 1998 CONGRESSIONAL BUDGET SUBMISSION
OFFICE OF POLICY AND INTERNATIONAL AFFAIRS
(Tabular dollars in thousands, Narrative in whole dollars)

DEPARTMENTAL ADMINISTRATION

PROGRAM MISSION

The Office of Policy and International Affairs (PO) provides leadership and support to the Secretary and the Department for establishing and improving policies and programs to meet DOE's mission in the areas of energy resources, science and technology, environmental quality, national security, and economic productivity. PO accomplishes these functions through analyses of national and international issues, development, coordination and implementation of cross-cutting departmental program activities, and guidance and assistance for strategic planning, budget formulation, and program evaluation.

The GOALS of the PO are to:

1. Ensure attention to energy needs and policy perspectives as decisions with significant energy, environmental and national security implications are considered by other Departments and agencies.

2. Develop effective and efficient governmental policies and priorities, consistent with the Departmental mission and vision.

3. Ensure effective and consistent implementation and communication of Administration and Departmental policies and priorities.

4. Effectively engage the international community to advance energy, environmental, and non-proliferation policies in international agreements and foreign nations that support U.S. policy goals.

The OBJECTIVES related to these goals are:

1. POLICY DEVELOPMENT: PO identifies, develops and analyzes policy issues, helps define long-term goals, objectives, and priorities, and mobilizes appropriate program offices.

2. POLICY ANALYSIS: PO provides the Secretary, Deputy Secretary and the Under Secretary independent analysis and program assessments because PO has no vested or parochial interests in specific DOE programs. During the decision-making process, the Secretary is assured of impartial and unbiased policy advice by PO.

3. POLICY COORDINATION: PO is the central DOE organization that develops policy initiatives and strategies on issues that cut across more than one program area. PO prevents "stovepiping" by facilitating the development of an integrated and coordinated policy approach across all of the Department's functions that are aligned with core national goals and objectives. These ongoing responsibilities also include coordination of the Department's international activities.

4. POLICY COMMUNICATION: PO provides a policy communication link between DOE and its stakeholders including other agencies, the Congress and State and local governments. PO ensures that the views of the White House, Congress, public and private sector organizations, and foreign countries are addressed in the policy making process. PO is the Department's representative on many domestic and international policy initiatives and provides information on Departmental, national and international policies, strategies, and trends.

5. POLICY OVERSIGHT: PO ensures that Secretarial policies and priorities are implemented throughout the development of Departmental strategic plans, formulation of the performance plan, budget, Performance Agreement with the President, the evaluation of program performance against Secretarial commitments, and annual performance reporting.

PERFORMANCE MEASURES

1. Leadership in the analysis, policy development, and negotiation processes surrounding global climate change, as measured by number and influence of analyses supporting cost-effective, flexible approaches to mitigation that reflect a realistic appraisal of energy needs and priorities.

2. Effective analysis and advocacy to assure that the regulatory activities of other agencies affecting the energy sector are consistent with energy policies and do not impose unnecessary energy costs on consumers and producers, as measured by the number of analyses and comments completed and by the cost savings achieved by changes in regulatory proposals resulting from our interventions.

3. Effective analytical and policy development activities in support of Administration, Federal Energy Regulatory Commission (FERC), Congress, and states to increase reliance on competition in energy markets to benefit consumers while maintaining a sufficient level of environmental protection and high reliability, as measured by number and influence of analyses provided and by customer satisfaction.

4. Maintenance and effective utilization of energy modeling capabilities, as measured by success in meeting requests from the Administration and Congress for timely analysis on emerging energy issues.

5. Effective support of U.S. economic, environmental and national security policy goals, as measured on the magnitude of foreign actions or international energy policy, regulatory and legislative actions that are attributable in part to Departmental efforts and by adoption of DOE views by multilateral organizations.

6. Improved efficiency in the Department's international R&D-related activities as measured by cost savings from collaboration among DOE programs on international activities. Further, effective development and implementation of international research and development agreements, as measured by the number of R&D agreements and/or related modifications concluded and the value of information or experience acquired in support of and complementary to domestic R&D programs.

7. Effective analytical and policy development activities in support of Administration national security objectives on nuclear materials stewardship, non-proliferation, stockpile stewardship, and national security capability as measured by the number and influence of analyses provided and by customer satisfaction.

8. Effective development of science and technology policies in support Departmental missions in fundamental science, mission-driven research and development, laboratory missions and management, and international science and technology cooperation, as measured by the Implementation of the Secretary of Energy Advisory Board (SEAB) Task Force recommendations on Alternative Futures for the DOE National Laboratories (Galvin Task Force) and Strategic Energy Research and Development (Yergin Task Force).

9. Effective implementation of the DOE Strategic Management System, as measured by the degree to which the Department's program strategic plans and individual performance evaluation standards reflect the priority goals from the Department's Strategic Plan and the degree to which the Department's Strategic Plan, budget, annual Performance Plan, and Annual Performance Report are aligned. Further, the satisfaction of Congressional and OMB stakeholders that the Department is in full compliance with the Government Performance and Results Act of 1993.

**DEPARTMENT OF ENERGY**
**FY 1998 OMB BUDGET REQUEST**
**DEPARTMENTAL ADMINISTRATION**
**(Tabular dollars in thousands, Narrative dollars in whole dollars)**

## OFFICE OF POLICY AND INTERNATIONAL AFFAIRS

### 1. Mission Supporting Goals/Ongoing Responsibilities

In this era of radically shifting priorities and sharply reduced budgets, the Secretary and the Department increasingly rely on the Office of Policy and International Affairs (PO) to establish clear goals, develop policies, analyze policy impacts, mobilize resources, and launch new initiatives to reduce the cost and enhance the effectiveness of our programs. The objectives of the Office of Policy and International Affairs are to: identify and develop policies based on sound analysis that support the Department's vision and fulfill the Department's mission; provide accurate and unbiased analysis of existing and prospective policies in the areas of energy, environment, science and technology and national, economic, energy and environmental security; ensure attention to energy needs and perspectives as decisions with significant energy implications are considered by other departments and agencies; ensure effective communication of Administration and Departmental policies, priorities, objectives, and measurements; to advance energy, environmental, and non-proliferation policies in international agreements; and to promote positive relationships with foreign nations that support U.S. policy goals.

DEPARTMENT OF ENERGY
FY1998 CONGRESSIONAL BUDGET REQUEST
OFFICE OF POLICY AND INTERNATIONAL AFFAIRS
(Dollars in Thousands)
PROGRAM FUNDING

| Activity | FY 1996 Current Appropriation | FY 1997 Original Appropriation | FY 1997 Adjustments | FY 1997 Current Appropriation | FY 1998 Budget Request |
|---|---|---|---|---|---|
| Salary & Benefits | $14,625 | $12,874 | $0 | $12,874 | $11,660 |
| Travel | 537 | 537 | 0 | 537 | 537 |
| Support Services | 0 | 0 | 0 | 0 | 0 |
| Other Related Expenses | 531 | 3,471 | 0 | 3,471 | 3,836 |
| Subtotal Program Direction | $15,693 | $16,882 | $0 | $16,882 | $16,033 |
| Policy Studies | 2,900 | 500 | 0 | 500 | 2,096 |
| Environmental Analysis | 4,000 | 2,500 | 0 | 2,500 | 2,500 |
| Subtotal Program Direction | $6,900 | $3,000 | $0 | $3,000 | $4,596 |
| Total Policy | $22,593 | $19,882 | $0 | $19,882 | $20,629 |
| Full Time Equivalents | 175 | 145 | 0 | 145 | 121 |

III. FY 1996 Performance Summary-Accomplishments:

Examples of Office of Policy accomplishments in FY 1996 include:

1. Oil Security and Fuels Policy

   - Co-directed (with the Energy Information Administration) a study responding in 45 days to the President's request to identify the causes of the rapid rise in gasoline prices in the Spring of 1996.

   - Performed a Congressionally mandated cost-benefit analysis of the possible transition to a significant use of alternative fuels for vehicles in the United States, completing part one of a two-part assessment of this feasibility study.

   - Promoted legislation that was enacted to permit exports of Alaska North Slope crude oil, based on previous Office of Policy analytic efforts.

   - Supported an interagency effort that documented underpayment of royalties, possibly totaling hundreds of millions of dollars, for production of oil on leased federal lands in California.

   - Modeled the cost of producing a low sulfur gasoline and reevaluated the cost-effectiveness of $NO_X$ control in phase II federal reformulated gasoline, analysis being used by EPA to reassess the EPA position.

2. Air Pollution and Climate Change

   - Prepared a widely-circulated analysis demonstrating the benefits of allowing flexibility in when and where greenhouse gas emissions reductions are made, demonstrating that such flexibility can reduce mitigation costs by a factor of between 2 and 7 compared to inflexible targets and timetables. U.S. position has been adjusted to reflect this new understanding.

   - Developed an assessment of the impact of new greenhouse gas mitigation commitments on energy-intensive industries in the U.S., working with industry experts to help inform U.S. negotiating positions.

   - Provided energy perspective and expertise on climate change as part of U.S. delegation to negotiating sessions. Developed an international macroeconomic energy model to perform energy and environmental analysis related to modifying international commitments under the Framework Convention on Climate Change. Presented results of analyzing alternative greenhouse gas reductions scenarios and implementation schemes to government, industry, and nongovernment organizations.

   - Updated projections of energy-related carbon emissions and the expected effects of actions contained in the update to the U.S. Climate Change Action Plan.

   - Provided energy perspective and expertise on Clear Air Act issues. Provided analysis that resulted in an EPA decision to withdraw a report identifying mercury emissions from electric generating plants as a major environment concern.

3. Electricity and Natural Gas Markets

   - Produced within 30 days a report responding to the President's request to identify the causes and assess the preventability of the Western States power outages of July 2-3, 1996.

   - Developed modeling tools to support state restructuring of electricity and natural gas markets and possible federal legislation by adapting the National Energy Modeling System to individual power control areas. Initial analyses demonstrated that concerns regarding potential adverse environmental effects are largely unfounded.

   - Sponsored Electricity and Natural Gas Forums in cooperation with NARUC (the association of state utility commissioners) to provide an opportunity for dialogue between electricity and gas producers, transporters, and distributors, with state and Federal regulators, agencies and legislators.

4. Integration of Energy, Economic and Environmental Policies

   - Implemented OMB guidance on the use of cost-benefit analysis as a part of regulatory impact assessments.

   - Conducted analysis and interagency dialogue on key regulatory issues with substantial energy implications, including new EPA ambient air quality standards for smog and particulates, and regional haze regulations, Safe Drinking Water Act and Clean Water Act reauthorization, and Superfund provisions affecting refineries.

5. International Energy Policy

   - Leadership in promoting US economic competitiveness, environmental and national security objectives through bilateral consultations with Australia, Canada, Indonesia, India, Japan, Korea, Philippines, Russia, Saudi Arabia and South Africa, and in providing draft gas and electricity sector legislation. Initiated major energy and environmental dialogue with China, including an agreement to hold the first high-level US/China bilateral energy consultations in 1997.

   - Developed a program on policy development and regulatory reform with APEC and the Asian Development Bank. This led to the first APEC Energy Ministerial, a program of work, and the permanent establishment of external business and regulators' advisory boards.

   - Worked with private financial institutions, US industry, the ASIAN Council, the US/India Business Council, the US Export Council on Renewable Energy and other trade associations to promote policy incentives for private investment in key emerging markets.

   - Developed new international energy R&D cooperation agreements with several countries which cover topics such as basic science, fossil energy, energy efficiency, new and renewable energy sources and the peaceful uses of atomic energy. These agreements generally support commercial technology transfer and the opening of new markets to U.S. industry.

6. Materials and Asset Management

- Achieved a total of $9.5 million in asset sales that will reduce the federal deficit.

- Supported development of a corporate asset management policy for the Department including formulation of policies to conduct asset sales, development of new legislative initiatives, and establishment of financial parameters.

7. Science and Technology Policy

- Implemented recommendations of independent outside reviews of the National Laboratory System (Galvin Task Force) and Strategic Energy Research and Development (Yergin Task Force), including peer review and prioritization programs for R&D, and analysis of overhead costs of R&D management.

- Produced a study on the changing patterns of private sector investments in research and development and the ongoing restructuring and downsizing of U.S. corporate R&D in the energy sector. Updated and expanded the 1995 DOE report entitled, Success Stories: Energy R&D in the Marketplace," profiling successful energy technologies, and produced reports on the research and development capabilities of the National Laboratories and on public policy trends in science and technology.

8. Strategic Planning and Program Evaluation

- Received the Vice President's Hammer Award for the work on establishing a second Performance Agreement with the President for the Department and commitment tracking system .

- Conducted program evaluations and issue analysis in support of budget decision making resulting in better resource decisions and alignment of fiscal year priorities with strategic plans.

- Fully implemented the Department's Strategic Management System by developing an approved Strategic Plan, Annual Performance Plan, Annual Performance Report, a planning-based budget process, and the Secretary's Performance Agreement with the President.

9. National Security, Energy Security, and Environmental Security

- Led development of interagency Memorandum of Understanding signed by Secretaries of Energy and Department of Defense and Administrator of EPA to cooperate on environmental security matters, resulting in improved coordination of environmental security policy.

- Completed studies on the proliferation/non-proliferation impacts of nuclear waste practices and nuclear infrastructure changes in Russia.

- Participated in determining the proliferation/non-proliferation impacts of declassifying the gaseous diffusion technology.

- Initiated Nuclear Materials Stewardship (NMS) Workshop in conjunction with Lawrence Livermore National Laboratory (LLNL) and established NMSNet to facilitate information exchange.

- Initiated efforts to safely stabilize and contain plutonium-bearing reactor spent fuel in North Korea.

FY 1997 Accomplishments (to date and planned)

Examples of major activities planned for FY 1997 include:

1. Oil Security and Fuels Policy

    - Completion of an interagency assessment of the relative health risks of oxygenated and inoxygenated gasolines, and initiation of a cost-effectiveness analysis of the fuel quality requirements proposed by the Ozone Transport Assessment Group.

    - Completion of the second phase of a Congressionally mandated cost-benefit analyses of a possible transition to a market involving significant use of alternative fuels for vehicles and distribution of a draft final report required by Section 502 (b) of the Energy Policy Act for peer review.

2. Air Pollution and Climate Change

    - Developed of U.S. positions for international protocols regarding nitrous oxides, persistent organic pollutants, and heavy metals that fall within current U.S. requirements and emphasize performance-based rather than technology-based approaches.

    - Conducted assessment of the effectiveness of voluntary programs included in the Administration's Climate Change Action Plan.

    - Continued analysis to assure that any new greenhouse gas reduction commitments that may be adopted under the Climate Convention in FY 1997 are based on a realistic appraisal of U.S. energy needs, the likely public and private costs of reducing greenhouse gas emissions, and up-to-date analysis of global energy and emissions trends.

    - Continued analysis and interagency dialogue on key regulations with substantial energy implications, including new EPA ambient air quality standards for smog and particulates and regional haze regulations.

    - Analysis to assure that EPA analyses of mercury emissions from electricity generation that were withdrawn in FY 1996 as a result of DOE analyses are reissued only with a sound scientific basis.

3. Electricity and Natural Gas Markets

   - Further analysis of electric industry restructuring to estimate effects of industry changes on future energy security, reliability of supply, and financial and environmental implications.

   - Promotion of the development of Federal legislation and regulations that provide a framework for a more efficient electric power industry based on competitive markets.

   - Continued sponsorship of Electricity and Natural Gas Forums in cooperation with NARUC (the association of state utility commissioners) to provide an opportunity for dialogue between electricity and gas producers, transporters, and distributors, with state and Federal regulators, agencies, and legislators.

4. Integration of Energy, Economic and Environmental Policies

   - Analysis to ensure that DOE effectively implements new procedures for the development of updated standards for clothes washers, water heaters, air-conditioners, furnaces and other products that deliver substantial net benefits for consumers and the Nation, with minimal adverse impacts on manufacturers.

   - Analysis of the impact that alternative emission reduction policies have on U.S. economic competitiveness and employment patterns.

   - Analysis of and participation in emerging fuel market policy issues, particularly the implementation of the "complex model" for reformulated gasoline, to avoid unnecessary cost and market disruptions while achieving environmental objectives.

5. International Energy Policy

   - Development and implementation of policy and regulatory incentives for private investment in the energy sector of APEC economies, Latin America and other major emerging markets through strengthened relationships with the U.S. financial and business communities.

   - Communication of U.S. policies on economic competitiveness, global environmental management and national security through Ministerial meetings at the International Energy Agency and APEC.

   - Development and implementation of policy and strategy for increasing U.S. market share in China's energy sector in conjunction with White House led effort.

   - Conduct bilateral energy consultations to address economic, environmental and national security challenges arising from energy development in China and other regions of the world.

6. Science and Technology Policy

- Expansion and refinement of Department-wide prioritization of energy R&D, incorporating R&D portfolio analysis with strategic planning and budgeting to maximize cost-effectiveness. Integration of science and technology forecasting into DOE science and technology policy development and budget formulation process.

- Continued implementation of the recommendations of the National Laboratory System (Galvin Task Force) and Strategic Energy Research and Development (Yergin Task Force), including the reduction of R&D management overhead costs to achieve the Yergin 15 percent reduction target and a study of alternative financing of R&D.

- Development, negotiation, and implementation of an international energy science and technology strategic plan to support DOE R&D programs and to facilitate U.S. companies access to foreign markets.

- Our longest-standing Peaceful Uses of Atomic Energy agreement--with Russia--has been extended beyond June 1997. Negotiation of a renewal or new PUCE is critical to non-proliferation and other key goals of the Gore-Chernomyrdin commission.

7. Strategic Planning and Program Evaluation

- Published the Annual Performance Report for FY 1994 and FY 1995 aligned with the Strategic Plan and the FY 1995 Performance Agreement with the President. Published the Annual Performance Report for FY 1996 in time to support FY 1998 budget discussions.

- Implemented the Government Performance and Results Act of 1993 ahead of schedule: performance plan for FY 1998 (required for FY 1999) and implemented performance reporting for FY 1996 (required for FY 1999).

- Executed a Performance Agreement with the President for FY 1997.

- Conducted extensive review of the Department's first Strategic Plan and developed the Department's second Strategic Plan.

- Conducted program evaluations and issue analysis in support of budget decision making.

- Managed and improved the Department's Strategic Management System linking strategic planning, performance planning, budgeting, performance management, and performance reporting from the Departmental level down to the employee and contract level.

8. National Security, Materials Management, and Energy and Environmental Security

- Completed Department wide nuclear materials management conferences and established Nuclear Material Stewardship (NMS) Network. Release draft issues, tools, and data bases information guide for nuclear materials stewardship based on the proceedings of the NMS program at Lawrence Livermore National Laboratory.

- Support the further development and implementation of Departmental policy which coordinates asset management programmatic

elements in order to reduce the budget deficit and streamline DOE operations.

- Complete development of DOE complex-wide framework for addressing environmental security and initiate first projects.

- Completion of U.S. contribution to IEA study on security and reliability issues pertaining to the U.S. natural gas distribution infrastructure. The report examines some of the national security implications of supplementing domestic gas supplies by importing liquefied natural gas from the Middle East.

FY 1998 Planned Accomplishments:

Examples of major activities planned for FY 1998 include:

1. Oil Security and Fuels Policy

   - Reassess the alternative fuels policies enacted by the Energy Policy Act and Clean Air Amendments in light of their actual impacts on vehicle purchases and fuel sales.

   - Evaluate the effects of oil product price volatility, and development of public policy measures to minimize adverse effects.

2. Air Pollution and Climate Change

   - Assess the significant challenge of emissions reduction and promote the adoption of realistic, flexible, and cost-effective approaches to greenhouse gas mitigation at the third conference party in Kyoto, Japan in December 1997. New commitments to limit greenhouse gas emissions would have major implications for the energy sector and energy-intensive industries.

   - Develop of mechanisms, based on ongoing assessment of policy options, to take advantage of provisions allowing for flexibility in the timing and location of emissions reductions to greatly reduce the adverse energy impacts of greenhouse mitigation commitments, especially emissions trading and joint implementation.

   - Continue analysis and interagency dialogue on key domestic regulatory issues with substantial energy implications, including ambient standards for smog and particulates and regional haze regulations,.

3. Electricity and Natural Gas Markets

   - Facilitate electricity and natural gas policy development at the state and federal level. The restructuring of wholesale and retail markets for electricity, and continuing opportunities for reform in retail natural gas markets, have significant potential to promote efficient and competitive supply of energy to American business and consumers. Examples of planned activities include:

     • Continue analytical studies of electric industry restructuring in order to estimate effects of industry changes on future energy

security, reliability of supply, and financial and environmental implications.

- Continue ongoing Electricity and Natural Gas Forums in cooperation with NARUC (the association of state utility commissioners) to provide an opportunity for dialogue between electricity and gas producers, transporters, and distributors, with state and Federal regulators, agencies, and legislators.

- Continue promotion of the development of Federal legislation and regulations that provide a framework for a more efficient electric power industry based on competitive markets.

- Analysis to assure that efficiency standards for electric and gas appliances are developed based on analyses consistent with the effects of restructuring.

4. Integration of Energy , Economic and Environmental Policy

- Continue to determine the impact of environmental and energy policies on indicators such as employment, gross output, and the competitiveness of energy intensive industries through economic and energy modeling studies.

5. International Energy Policy

- Implement U.S. international energy initiatives in multilateral and bilateral fora (including Asian Pacific Economic Cooperation, International Energy Agency, Summit of the Americas) in order to: increase initiatives aimed at energy policy and regulatory reform; accelerate deployment and remove barriers to environmentally sound technologies; strengthen energy security programs; and enhance outreach to key emerging markets.

- Develop and implement of Department-wide regional energy trade and investment strategies aimed at promoting energy policy and market reform, U.S. industry investment and sustainable energy programs. These activities will continue support for the Energy Committees of the Binational Commissions for Russia and South Africa; carry forward initiatives under the partnership for Sustainable Energy Use of the Summit of the Americas; continue leadership role in the Energy Working Group of the Asia Pacific Economic Cooperation forum; continue comprehensive energy engagement with China and India; continue the identification of needed issues and reforms in member countries of the European Union; support energy restructuring, market reform and energy security efforts in Eastern Europe and the NIS; and continue bilateral initiatives that target key countries in each region.

- Identify innovative policy for promoting investment and financing in sustainable energy projects, working with multilateral, bilateral and commercial institutions.

6. Science and Technology Policy

- Finalize of the implementation of the National Laboratory System (Galvin Task Force) and Strategic Energy Research and Development (Yergin Task Force) recommendations.

- Expand and refine of Departmental R&D data bases resulting in a coordinated policy governing the collection of R&D data, national laboratory and other contractor data interfaces, and related public access issues.

- Complete coordinating Department-wide prioritization of R&D, incorporating R&D portfolio analysis with strategic planning and budgeting to maximize cost-effectiveness.

- Complete report by the Departmental Coordinating Committee on International R&D on DOE's international R&D activities under the leadership of the Office of Policy.

7. Strategic Planning and Program Evaluation

   - Prepare a Performance Plan for FY 1999.

   - Develop a Performance Agreement with the President for FY 1998 and report results against the Performance Agreement for FY 1998.

   - Unify reporting requirements of the Government Performance and Results Act of 1993, the Government Management Reform Act of 1994, and the Department's organizational act beginning with the Annual Performance Report for FY 1997.

   - Conduct program evaluations and issue analysis in support of budget decision making.

   - Manage and improve the Department's Strategic Management System linking strategic planning, performance planning, budgeting, performance management, and performance reporting from the Departmental level down to the employee and contract level.

   - Develop the biennial National Energy Policy Plan as required by statute. Reflecting policy analysis and programmatic efforts throughout the Department, the plan will outline sustainable, market-based energy policies that promote energy security and environmental progress while meeting American consumers and business energy needs at competitive prices.

8. National Security, Materials Management, and Energy and Environmental Security

   - Complete Department-wide nuclear materials management strategy and plan.

   - Complete studies on the proliferation/non-proliferation impacts of nuclear waste practices and nuclear infrastructure changes in all countries with nuclear facilities.

   - Establish an enhanced environmental security analytic capability, network, and agreements.

   - Support the further development and implementation of Departmental policy which coordinates asset management programmatic elements in order to reduce the budget deficit and streamline DOE operations.

   - Integrate NMS into DOE strategic and program planning and publish NMS proceedings as seminal situational analysis on status, issues and opportunities facing U.S. for nuclear materials.

- Further integrate national security, environmental security and energy security into DOE strategic planning.

IV. Explanation of Funding Changes FY97 to FY98:

- The decrease of $1,214,000 in Personnel Compensation and Benefits reflects the costs of downsizing in FY 1997 (-$1,364K), elimination of separation costs (-$337K); partially offset by the pay raise (+$435K) and other (+$52K).

- Travel: Travel requirements do not change.

- Contractual Services: Contractual Services include Other Related Expenses only. There are no support services.

- Other Related Services: Other Related Services increased by $365K for Working Capital Fund expenses for overseas posts, training, ADP maintenance, hardware and software, interpreters, transcription and publications. The increase is due to the need for the support of the inter-agency Country Studies and Joint Implementation Task Group, which would fall under related expenses for the nine line business items of the Working Capital Fund (29 FTEs).

| Other Related Expenses | FY 1996 ($000) | FY 1997 ($000) | FY 1998 ($000) | FY 1998/97 Change ($000) |
|---|---|---|---|---|
| Other Related expenses | | | | |
| Training | $75 | $70 | $70 | $0 |
| Working Capital Funds | 2,535 | 2,414 | 2,779 | 365 |
| Purchases from Government Accounts 1) | 450 | 600 | 600 | 0 |
| Other 2) | 83 | 387 | 387 | 0 |
| Subtotal Other Related Expenses | $3,143 | $3,471 | $3,836 | $365 |
| | | | | |

1) Includes non-working capital expenditures for subscriptions, telephone credit cards, pagers, portable phones, interpreters, ADP hardware and software acquisitions, LAN administration, international phone charges, and budget and accounting systems maintenance.

V- Program Support:

| Activity | FY 1996 Current Appropriation | FY 1997 Original Appropriation | FY 1997 Adjustments | FY 1997 Current Appropriation | FY 1998 Budget Request |
|---|---|---|---|---|---|
| Policy Analysis and Systems Studies | $2,900 | $ 500 | $0 | $ 500 | $2,096 |
| Environmental Policy Studies | $4,000 | $2,500 | $0 | $2,500 | $2,500 |
| | $6,900 | $3,000 | $0 | $3,000 | $4,596 |
| Total Office of Policy | $25,252 | $19,882 | $0 | $19,882 | $20,629 |

Policy Studies funds are utilized to provide independent analyses on energy and international issues relating to energy supply, production and distribution including utilities and evaluation of federal, state and local regulatory issues. Environmental Analysis funds are used for analytical support associated with the impact of environmental legislation on DOE operations as well as impacts on business and industry, international programs to reduce air-borne pollutants and global climate issues.

The Office of Policy and International Affairs is requesting funds for two separate accounts but authorizes different types of projects through each account. The Office has a rigorous annual process to prioritize, evaluate and carefully choose which projects will be funded. There is no overlap or duplication of efforts with other program areas of the Department. Projects undertaken are coordinated with relevant programs in the Department and information generated is widely disseminated to ensure integrated efforts.

VI. Explanation of Funding Changes FY97 to FY98

The decision by Congress in FY 1997 to reduce the Policy Analysis and Systems Studies to $500K resulted in a significant decrease in timely and needed policy analyses. The failure to provide PO with additional funding of $1.6 million, coupled with the one third (1/3) reduction in PO staff, would result in the inability to: provide in-depth program evaluation for several Departmental programs, continue sufficient analytical studies of the electric industry, evaluate the effects of oil product price changes, facilitate electricity and natural gas policy development, conduct the analyses on efficiency standards for electric and gas appliances, and reassess the alternative fuels policies mandated by the Energy Policy Act. PO would no longer continue the electricity and natural gas forums co-sponsored by NARUC. The implementation of U.S. international energy initiatives would be affected, as well as the development and implementation of Department-wide energy initiatives in multilateral and bilateral fora and the continuation of regional energy trade and investment strategies. The ability to develop a Performance Plan with the President and a Performance Agreement would also be at risk. The management and improvement of the Department's Strategic Management System would be jeopardized as well.